

DRAFT
CENTRAL VALLEY PROJECT
M&I WATER SHORTAGE POLICY
December 22, 2000

The Central Valley Project (CVP) is operated consistent with Federal statutes authorizing the CVP and in accordance with the terms and conditions of water rights acquired pursuant to California law. There may occur at times a shortage during any year in the quantity of CVP water that can be made available to an M&I contractor by the United States. The cause of the water shortage may be drought, unavoidable causes, or restricted operations resulting from legal obligations or mandates including but not limited to the Endangered Species Act, the Central Valley Project Improvement Act (CVPIA), and the State of California's Decision-1641 and the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary.

The purpose of the M&I Water Shortage Policy is to develop a standard CVP-wide policy applicable to all CVP M&I Contractors, to provide a minimum level of water supply that, in combination with the M&I Contractor's drought water conservation measures and other water supplies would sustain urban areas during drought situations, and to provide sufficient information to M&I Contractors for their use in developing future drought contingency plans. It is Reclamation's intent that the M&I Water Shortage Policy will be consistent with the intent of the June 9, 1997 Central Valley Project Improvement Act Administrative Proposal on Urban Water Supply Reliability.

The 2000 CVP M&I Water Rates book shows the total of CVP M&I deliveries as 350,121 acre-feet in 1998 and actual and projected M&I deliveries to be approximately 790,000 acre-feet by the year 2025. At the present time, M&I contractors are generally not using their entire CVP M&I contractual water entitlement. Thus if the shortage allocation were applied to each M&I contractor's full contract entitlement, some M&I contractors could take a supply of water equivalent to their full demand in times of severe water shortage. M&I water demands within the CVP are continually increasing. Therefore, the provision for 75% M&I reliability shall be applied to a contractor's historical use, adjusted for growth, extraordinary water conservation measures, and non-CVP water supplies, limited however by the M&I contractor's contractual water entitlement. Application of these terms will be as provided below in the "Definition of Terms." Reclamation recognizes that as conservation measures are implemented there is a hardening of demand that lessens an M&I contractor's ability to reduce demands during times of shortages.

It is recognized that Reclamation's ability to provide the minimum reliability level and the public health and safety level proposed in this policy are subject to the availability of CVP water supplies. It is also recognized that M&I water allocations may differ between divisions of the CVP. Generally, allocations to divisions will be the same, unless specific operational constraints occur which do not allow the United States to provide a division with the same minimum allocation as other CVP divisions.

Terms and Conditions for M&I Reliability and CVP Water supply allocation:

1. Allocations of M&I water under this policy shall be based on the contractor's historical use of M&I water, adjusted for: (a) growth, (b) extraordinary water

conservation measures, and (c) non-CVP water supplies; Provided, That such historical use of CVP water shall not exceed the M&I contractor's contractual entitlements. This Policy is not intended to penalize contractors for implementation of extraordinary conservation measures or for use of non-CVP water supplies. To encourage CVP contractors to develop non-CVP water supplies, Reclamation will adjust historical use calculation for use of non-CVP water supplies used if such non-CVP supplies were used instead of using the contractor's CVP supplies and it is demonstrated that use of such non-CVP water benefitted the CVP as a whole. Crediting of such non-CVP water in adjusting historical use will need to be approved by Reclamation in advance of such use for purposes of the historical use calculation.

2. For an M&I contractor to be eligible for a minimum allocation in time of shortage of 75 percent of historical use as adjusted, the M&I contractor must have developed and be implementing a water conservation plan that meets CVPIA criteria and measuring such water as required under section 3405(b) of the CVPIA.
3. This M&I water shortage policy applies only to that portion of the CVP water identified as projected M&I demand as of September 30, 1994, as shown for the year 2030 on Schedule A-12 of the 1996 Municipal and Industrial Water Rates book and those contract quantities specified in section 206 of Public Law 101-514. Subject to the foregoing, irrigation water transferred and/or converted to M&I use after September 30, 1994 will be subject to shortage allocation as irrigation water.
4. Before allocations of M&I water to a contractor are reduced, allocations of irrigation water shall be reduced below 75% of contract entitlement. See Table 1, below.

Table 1
Allocation of Irrigation and M&I Water

Irrigation Allocations	M&I Allocation
100%	100%
95%	100%
90%	100%
85%	100%
80%	100%
75%	100%

5. When allocations of irrigation water have been reduced below 75 percent of contractual entitlement, if further reductions are necessary, the M&I water allocations and irrigation water allocations will be reduced the same percentage increment. Reductions of the M&I water allocation to a M&I contractor will be based on M&I historical use (adjusted as provided in this policy), and reductions of irrigation water allocations will be based on contractual entitlement. The M&I allocation to a M&I contractor will be reduced by an equal percentage increment with reductions in irrigation water allocations, until the M&I allocations reach 75 percent of historical use (adjusted as provided in this Policy), and irrigation allocations reach 50 percent of contractual entitlements. At this point, the M&I allocation will not be further reduced until irrigation allocations are reduced below 25 percent of total contractual entitlements. This is illustrated in Table 2 below.

Table 2
Shortage Allocation of Irrigation and M&I Water
When Irrigation Allocations fall below 75% Contractual Entitlement

Irrigation Allocation	M&I Allocation
70%	95%
65%	90%
60%	85%
55%	80%
50% - 25%	75%

6. When allocations of irrigation water are reduced below 25 percent of contractual entitlement, Reclamation will need to reassess CVP water supply availability and CVP water demand. Due to limited water supplies, M&I water allocations to

contractors may, in such situations, be reduced below 75 percent of adjusted historical use.

7. For the public health and safety level, if the Governor of California declares an emergency due to water shortage, Reclamation will apply criteria consistent with those applied at that time by the State of California. If CVP supplies are so severely reduced that contractors are approaching a public health and safety levels, and the State has not developed criteria, Reclamation will establish criteria consistent with those applied by similarly situated California M&I water supply entities for determining appropriate public health and safety levels and purposes of water use during times of severe drought. Reclamation's goal is to provide M&I contractors who use CVP water that was transferred and/or converted from Irrigation use to M&I use after September 30, 1994, with an M&I water supply at the public health and safety level. At this time of extraordinary circumstances, Reclamation may determine it is necessary to vary the allocations of M&I water among contractors, taking into consideration the contractor's available non-CVP water supplies.
8. Each M&I contractor shall provide Reclamation with a copy of its Urban Water Management Plan or comparable plan which includes a drought contingency plan to protect public health and safety.
9. Reclamation considered the concept of two tiers in the CVPIA Administrative Proposal for Urban Reliability and agreed to explore the concept in future discussions. Reclamation has determined it will not adopt a two tier policy, but will attempt to help the M&I contractors by facilitating the sale of CVP water from willing sellers. This would not be an allocation of CVP water but could be a reallocation of CVP water or water transfer facilitated by Reclamation.

Definitions of terms used above include:

- a. The term "historical use" shall mean the water deliveries to the contractor during the last year in which 100 percent of the contractor's contract entitlement to CVP M&I water was made available to the contractor.
- b. The term "adjusted for growth" shall mean an adjustment made to the contractor's historical use quantity to take into account increases in demand within the contractor's service area beyond such historical use, including, but not limited to, demand increases attributable to (i) increases in population, and (ii) increases in the number of, or demand of, industrial, commercial, and other entities to whom the contractor serves water, provided that the contractor shall be required to provide reasonable documentation of such increases.
- c. The term "extraordinary water conservation measures" shall mean water conservation activities in addition to those best management practices specified in

the contractor's approved water conservation plan. This begins with the baseline condition that the contractor is implementing its water conservation plan consistent with the then current standard criteria for evaluating water conservation plans. Reclamation will determine if an action qualifies as an extraordinary water conservation measure. Reclamation's criteria for evaluating water conservation plans are updated every 3 years in accordance with changes in the state of the art for water conservation measures. A water conservation measure considered extraordinary in 2001 may be a mandatory best management practice requirement in the year 2010.

- d. The term "public health and safety" shall be those M&I uses to which water is allocated consistent with criteria established by the State of California, or by Reclamation in concert with similarly situated California M&I water supply entities, as applicable, during times of declared water shortage emergencies.